

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1891-01  
Bill No.: HB 778  
Subject: Public Service Commission; Natural Gas Companies  
Type: Original  
Date: April 3, 2001

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**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>
Public Service Commission*	\$0	\$0	\$0
Utilicare Stabilization*	\$0	\$0	\$0
<b>Total Estimated Net Effect on <u>All</u> State Funds*</b>	<b>\$0*</b>	<b>\$0*</b>	<b>\$0*</b>

\* Assumes costs of \$180,497 in FY 02, \$197,610 in FY 03 and \$202,652 in FY 04 and an increase in the PCS assessment and appropriation, resulting in a net effect of \$0. Additionally, assumes unknown income to the Utilicare Stabilization Fund and unknown costs, resulting in a net effect of \$0.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>
None	\$0	\$0	\$0
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 6 pages.

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## **FISCAL ANALYSIS**

### ASSUMPTION

Officials from the **Department of Social Services - Division of Family Services (DOS)** assume the proposed legislation would have no fiscal impact on their agency.

Officials from the **Department of Economic Development - Office of Public Counsel** noted that while this bill would require significant additional work on behalf of the Office of Public Counsel to prepare testimony and recommendations in the rulemaking and review mitigation, it is assumed that current staff could manage these tasks. If additional duties are added, however, additional resources may be necessary for our agency to fulfill its statutory duties.

Officials from the **Office of Secretary of State** assume this bill requires natural gas companies to submit a mitigation strategy for natural gas pricing to the Public Service Commission for approval. The Public Service Commission shall promulgate rules to implement this bill. Based on experience with other divisions, the rules, regulations and forms issued by the Public Service Commission could require as many as 14 pages in the *Code of State Regulations*. For any given rule, roughly half again as many pages are published in the *Missouri Register* as in the *Code* because cost statements, fiscal notes and the like are not repeated in *Code*. These costs are estimated. The estimated cost of a page in the *Missouri Register* is \$23.00. The estimated cost of a page in the *Code of State Regulations* is \$27.00. Therefore, the estimated costs for FY 02 are \$861. The actual cost could be more or less than the numbers given. The impact of this legislation in future years is unknown and depends upon the frequency and length of rules filed, amended, rescinded or withdrawn.

**Oversight** assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the **Department of Natural Resources (DNR)** assume there is no estimate of the profits of natural gas companies available; therefore, the amount of revenues that may accrue to the Utilicare Stabilization Fund as a result of this bill are unknown.

It is also unknown how the funds available in the Utilicare Fund would be allocated between the programs operated by DNR and those operated by DOS.

Officials from the **Department of Economic Development - Public Service Commission** assume this bill requires that natural gas companies submit mitigation strategies for natural gas pricing to the PSC for approval. The PSC will be pre-approving natural gas utility mitigation

ASSUMPTION (continued)

strategies, and believes 3.5 additional FTEs will be needed to implement this proposed legislation (one Auditor IV, two Auditor IIs, .5 General Counsel Associate).

Officials submitted the following:

Methodology:

Travel Expense:

1 Utility Regulatory Auditor IV @ 20% travel = 52 days x \$75/day	\$3,900	2
Utility Regulatory Auditor II @ 10% travel = 52 days x \$75/day	\$3,900	.5
Legal Counsel @ 10% travel = 13 days x \$75/day	975	
Subtotal:	\$8,775	

Vehicle Expense: Mileage: 10,000 miles x 29.5 cents per mile	\$2,950
Office Supplies: \$300/year per FTE	\$1,050
Telephone: \$65/month per FTE	\$2,780
Training: \$1,000 per year per professional FTE	\$4,000

Publications:	\$ 100
Office Space Rental: 200 square feet per FTE @ \$13.50 square feet	\$10,800

The Missouri Public Service Commission (PSC) will be adopting regulations regarding approval and implementation of natural gas utility price mitigation strategies. This will impact the 10 regulated natural gas utilities (Companies) that serve Missouri. The staff of the PSC will work with the Companies to develop pricing, volume and timing parameters for gas purchases. These activities and review of pricing mitigation plans, approval of plans and auditing of outcomes from these actions will require additional FTE's. One Utility Regulatory Auditor IV FTE will be required to act as an assistant manager to oversee and participate in development of price mitigation plans. The Utility Regulatory Auditor IV will also develop data request, staff recommendations, write direct, rebuttal, and surrebuttal testimony. Some review of price mitigation plans will be performed by this professional.

Two Utility Regulatory Auditor II FTE's will be required to actually perform review and audits of price, volume and timing parameters of the companies' plans. These auditors will also develop data request, staff recommendations, write direct, rebuttal, and surrebuttal testimony. One-half Legal Counsel FTE will be necessary to support the activities performed by the Regulatory Auditors described above. The activities outlined above will increase workload for the PSC's General Counsel.

ASSUMPTION (continued)

AK:LR:OD (12/00)

**Oversight** has reduced the FTE request submitted by the PSC by assuming the duties of the .5 Legal Counsel could be absorbed with existing resources. Therefore, Oversight adjusted personal services, fringe benefits and expense and equipment costs to reflect three FTE's, instead of 3.5 FTE's. In addition, Oversight assumes the three (3) FTE (one Utility Regulatory Auditor IV and two Utility Regulatory Auditor II's) could be located in existing space and therefore has eliminated the office space rental costs from the PSC's request.

**Oversight** assumes the PSC would increase the assessment to utilities and that appropriation would be made, resulting in a net effect of \$0.

**Oversight** has reflected unknown income and unknown cost to the Utilicare Stabilization Fund based on language in the proposal stating that "a one percent of profit contribution by every natural gas company to the utilicare program established in sections 660.100 to 660.136, RSMo, to provide assistance to low-income utility customers" and based on the assumptions provided by the DNR.

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
<b>PUBLIC SERVICE COMMISSION FUND</b>			
<u>Cost</u> - Department of Economic Development (PSC)			
Personal Service (3 FTE)	(\$107,963)	(\$132,795)	(\$136,115)
Fringe Benefits	(\$35,984)	(\$44,261)	(\$45,367)
Expense and Equipment	<u>(\$36,550)</u>	<u>(\$20,554)</u>	<u>(\$21,170)</u>
Total <u>Cost</u> - Department of Economic Development (PSC)	(\$180,497)	(\$197,610)	(\$202,652)
<u>Income</u> - Department of Economic Development (PSC)			
Assessment to utilities	<u>\$180,497</u>	<u>\$197,610</u>	<u>\$202,652</u>
<b>Estimated Net Effect on PUBLIC SERVICE COMMISSION FUND</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
<b>UTILICARE STABILIZATION FUND</b>			

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
<u>Income</u> - A 1% profit contribution by every natural gas company	Unknown	Unknown	Unknown
<u>Cost</u> - Assistance to low-income utility customers	(Unknown)	(Unknown)	(Unknown)
<b>Estimated Net Effect on UTILICARE STABILIZATION FUND</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

#### FISCAL IMPACT - Small Business

Small businesses could be affected by the provisions of this proposal.

#### DESCRIPTION

This bill requires any natural gas company regulated by the Public Service Commission to submit a mitigation strategy for natural gas pricing to the commission for approval. Each mitigation strategy will include a gas purchasing program and a gas price mitigation plan. The bill outlines pricing, volume, and time parameters required in gas purchasing programs and elements required in gas price mitigation plans.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

#### SOURCES OF INFORMATION

Department of Economic Development - Office of Public Counsel  
 Department of Economic Development - Public Service Commission

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Department of Natural Resources  
Department of Social Services - Division of Family Services  
Office of Secretary of State

A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is stylized with a large initial "J" and a cursive script.

Jeanne Jarrett, CPA  
Director

April 3, 2001